



**Request for City Council Committee Action
From the Department of Community Planning and Economic
Development**

Date: December 2, 2003
To: Lisa Goodman, Chair, Community Development Committee

Subject: **Granting of Exclusive Rights to Negotiate a Redevelopment Contract
for Parcel E "Liner" Development**

Recommendation: The CPED Interim Director recommends that David Bernard Builders and Developers (a division of the Rottlund Company, Inc.) be granted exclusive rights for six months from the date of approval of this report to negotiate with the City of Minneapolis a land sale redevelopment agreement for the Parcel E "Liner," as described herein.

Previous Directives:

On November 22, 2002, the City Council authorized execution of a purchase agreement between the City and Hennepin County Regional Rail Authority to acquire the property generally known as Parcel E as part of the implementation of the Guthrie Theater project. On May 16, 2003, the City Council authorized the MCDA on behalf of the City to solicit development proposals for the Parcel E "Liner" development.

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673-5263

Approved by: Lee Sheehy, CPED Director
Chuck Lutz, CPED Deputy Director _____

Presenters in Committee: Ann Calvert, Senior Project Coordinator

Financial Impact (Check those that apply)

☒ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Neighborhood Notification: The Downtown Minneapolis Neighborhood Association and Industry Square Project Committee held a joint meeting to hear a presentation on the proposal and the committee chairs have been provided copies of this report.

City Goals: The proposed development is in accordance with *Downtown 2010* and the *Update to the Historic Mills District Master Plan*.

Comprehensive Plan: The proposed development conforms to the Comprehensive Plan.

Zoning Code: The basic proposed uses comply (subject to approval of a CUP for the residential). A detailed review of other aspects of the zoning code will be undertaken before the land sale is proposed.

Background

As part of the implementation of the Guthrie Theater project and in accordance with a purchase agreement approved by the City Council in November, 2002, the City has acquired a piece of property identified as "Parcel E." Most of Parcel E will be used for public purposes, i.e., two new street segments and the Guthrie District Parking Facility. In addition, an L-shaped parcel has been reserved for "liner" development that will add activity to the area and screen two sides of the parking facility (see map). This report recommends that David Bernard Builders and Developers ("David Bernard") be granted the exclusive right for a period of six months to negotiate with the City the terms of a land sale redevelopment agreement.

The Request for Proposal (RFP) and Related Processes

As authorized by the City Council in May of 2003, staff completed a Request for Proposals (RFP) process for the Parcel E Liner. Full information packets were sent to a list of parties who had expressed interest in the parcel. In addition, notification letters were sent to an extensive developer list maintained by the MCDA Multi-Family Housing Development Department and ads were placed in both the *Star Tribune* and *Finance and Commerce*. The RFP document was also made available on the MCDA's web site at http://www.mcda.org/rfp/pdf/parcel_e_rfp2.pdf. An informational meeting was held in July. Interested parties were given until August 29 to submit proposals.

In the meantime, a Parcel E Liner Review Committee was formed. The committee included representatives from the CPED Business Development, Multi-Family Housing and Planning units, the Public Works and Finance departments, and one representative each from the Downtown Minneapolis Neighborhood Association (DMNA) and Industry Square Project Committee (ISPC). One proposal was received from David Bernard. The Review Committee reviewed the proposal and asked the developer to make a presentation at a special joint meeting of the Review Committee, DMNA and ISPC. The Review Committee subsequently recommended to the Interim CPED Director that he recommend to the City Council that exclusive rights to negotiate a redevelopment agreement be granted to David Bernard, subject to certain conditions outlined below.

In accordance with the real estate disposition process for City-owned land, staff sought input from the City Engineer and City Planning Commission as to whether this parcel is needed for any other City governmental purpose or may be sold. The City Engineer concurred that this property is not needed and that a sale is appropriate. At their regularly scheduled meeting on November 3, 2003, the City Planning Commission passed a motion indicating there is no other public purpose anticipated for this site and that sale for this project would be appropriate and in keeping with the City's comprehensive plan and the small area plan for the Mills District.

The Development Proposal

David Bernard is a division of the Rottlund Company, Inc., a large housing developer based in the Twin Cities with extensive development experience and financial capacity. In Minneapolis, David Bernard completed the Renaissance on the River project at West River Parkway and Fourth Avenue North and is now building the Metropolitan Lofts in the Mill Quarter at Second Street and Portland Avenue South. Finance Department staff has reviewed the financial information submitted by David Bernard and found that the developer is financially sound and has the capacity to undertake and complete the proposed development. David Bernard has assembled a team that includes other experienced parties, including some that will provide input that will assure that the Liner development will be coordinated with the adjacent parking and Guthrie.

David Bernard proposes a mixed-use development with a total development cost of about \$23,500,000. The development is proposed to include:

- About 30,000 square feet of commercial/"flex" space on the ground level. Restaurant tenants are envisioned at the intersections of Chicago with Second and Washington. The rest of the space would be designed with the flexibility to be used for commercial, live-work space or residential.
- On floors 2 – 5, about 68 units of for-sale housing with prices from about \$350,000 to \$500,000. Units will be a mix of two and three-bedrooms, with floor space of 1,600 to 2,200 square feet. The top floor units will have mezzanines and roof decks.
- One level of below-grade parking (about 95 spaces) to support the residential uses that will be accessed via the public parking facility (subject to an easement to be negotiated between the City and developer). It is assumed that the public parking facility will have sufficient capacity to support the commercial uses.
- Service will be provided by a private service drive to be built parallel to Washington.
- The parcel may include a strip of land along the Chicago Avenue side that cannot be improved with a building, but that may be used by the developer for outdoor dining, entry areas, and other uses that will animate Chicago Avenue.

Copies of the applicable plans are attached, as well as an initial rendering of the proposed Chicago Avenue façade. These illustrations were shared by the developer at the joint community meeting and are used with the developer's permission. The architecture of the development is planned to be contemporary in response to the design of the Guthrie complex. The construction will be masonry and wood frame.

It is estimated that the project will generate about \$490,000 per year in real estate taxes. The commercial/flex space is also expected to provide space for either new or retained jobs, but since no tenants have been identified yet, it is premature to estimate the number or types of jobs.

David Bernard's proposal offered \$1,020,000 for the approximately 37,875 square foot liner parcel). CPED staff subsequently established a fair market reuse value for the site of \$1,360,000, as supported by the work of an independent appraisal firm, and the developer is now considering this price. The City Assessor has preliminarily indicated that a price in this range is appropriate. Staff will work with the developer during the six-month exclusive rights period to agree upon a price that adequately reflects the fair market value of the site (as improved with the adjacent developments and new public infrastructure) and will seek City Assessor concurrence. If the site is sold for fair market value, the project is not expected to trigger any requirements related to affordable housing, Job Linkage/Living Wage, Affirmative Action and Small and Underutilized Businesses.

In return for a fair market land price, the developer expects a clean, cleared, buildable site and expects the City to cover any costs related to the necessary public improvements and the burying of an overhead electric line along Second Street South. As a term of the land sale to the City, Hennepin County Regional Rail Authority agreed to be responsible for any environmental remediation needed on the site. Prior to the point at which the actual land sale is proposed for approval, Public Works staff will work with the developer and its consultants to evaluate the status and capacity of the existing public improvements and the cost, if any, to install additional needed improvements.

The timing of the development will be coordinated with construction of the adjacent parking facility to optimize construction efficiency and to allow the development to be completed as soon as possible after the parking and Guthrie are completed.

Exclusive Negotiation Rights

The Review Committee feels that David Bernard has the demonstrated capacity and experience to complete the proposed project and that the proposal does an excellent job of achieving the goals of *Downtown 2010* and the *Update to the Historic Mills District Plan*. The proposal will provide public benefits in the form of land proceeds, new housing units, additional real estate taxes and jobs and commercial/flex space that will complement adjacent uses.

Therefore, it is recommended that David Bernard be granted the exclusive right for a period of six months after approval of this report to negotiate with the City of Minneapolis (with CPED staff playing the lead role) the terms of a land sale redevelopment agreement. During this negotiation interim, many of the specifics of the development will be explored and worked out. In particular, the Review Committee recommended that the exclusive rights be conditioned upon the following conditions:

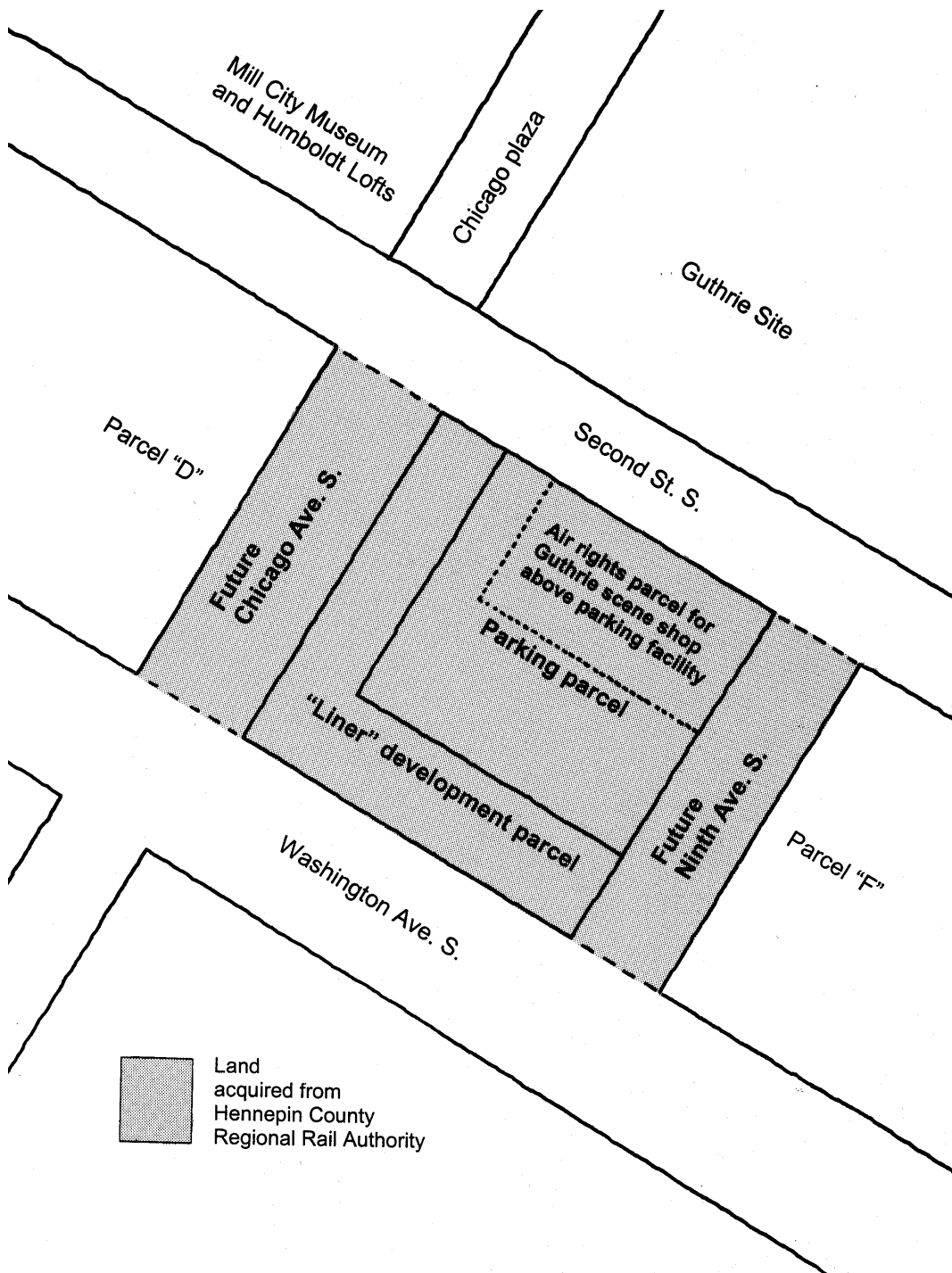
- David Bernard will complete and submit to staff a market study for both the residential and commercial/flex components of the project within 90 days after approval of this report.
- David Bernard will work with staff and appropriate parties to prepare a workable approval and implementation timeline within 60 days after approval of this report.

The land sale will be subject to an easement benefiting the City that will meet certain City needs relative to the adjacent 1,000 space parking facility. These include a 10-foot wide area along the southwest side of the parking in which no above-grade structure can be built (to maintain adequate ventilation and fire separation) and access for snow removal. This easement will be compatible with the location of the proposed service drive and will not negatively impact the development. As noted previously, the sale also must be subject to an easement benefiting the developer that will allow residents of the development to use the adjacent parking facility ramps to access the parking spaces under the private development.

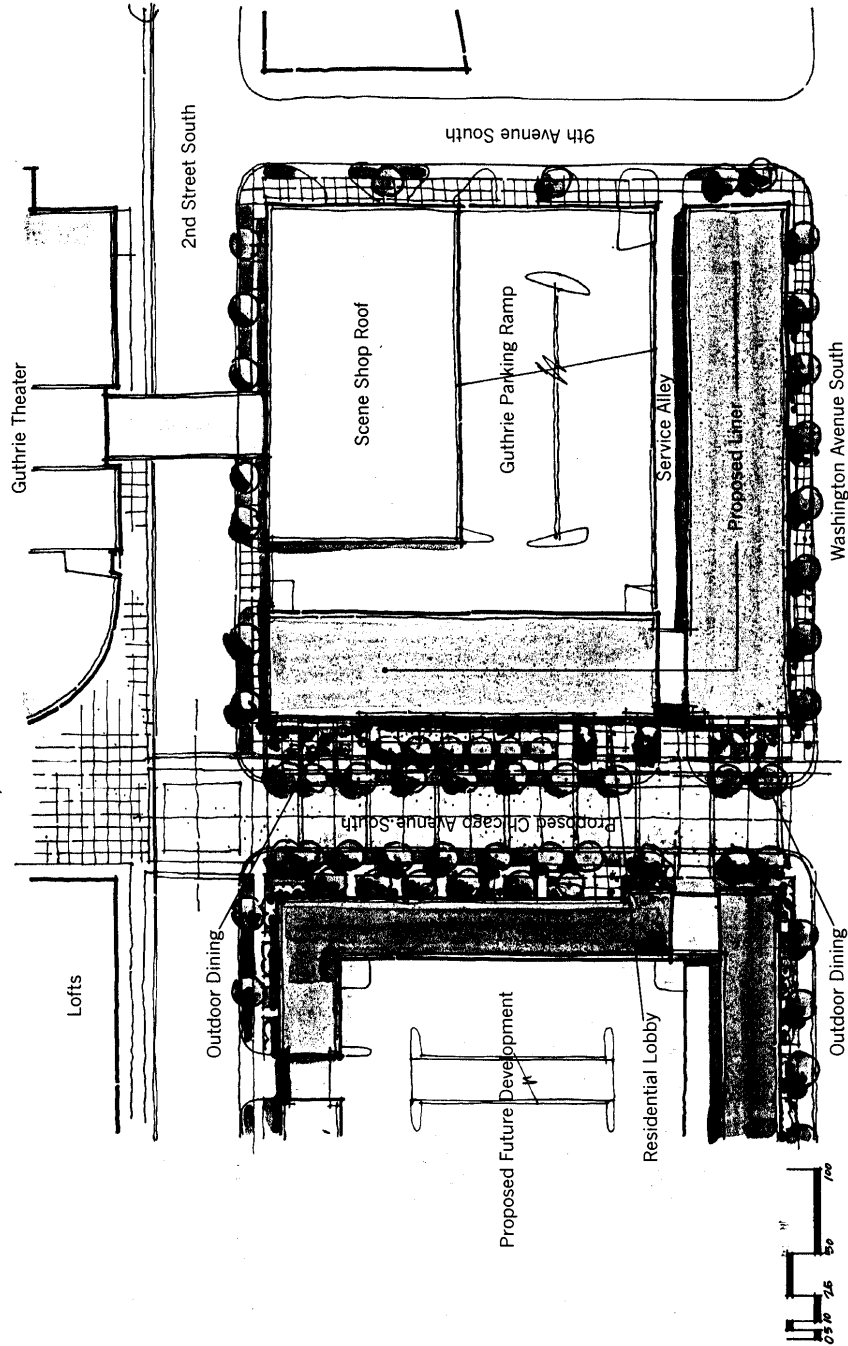
If the City approves the recommended exclusive negotiation rights, staff will work with the developer to further refine the proposal and negotiate the terms of a land sale redevelopment agreement. If the negotiations are successful, staff will return to the City Council for a land sale public hearing and consideration of authorization to execute the land sale redevelopment agreement.

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PARCEL E OVERALL BLOCK PLAN



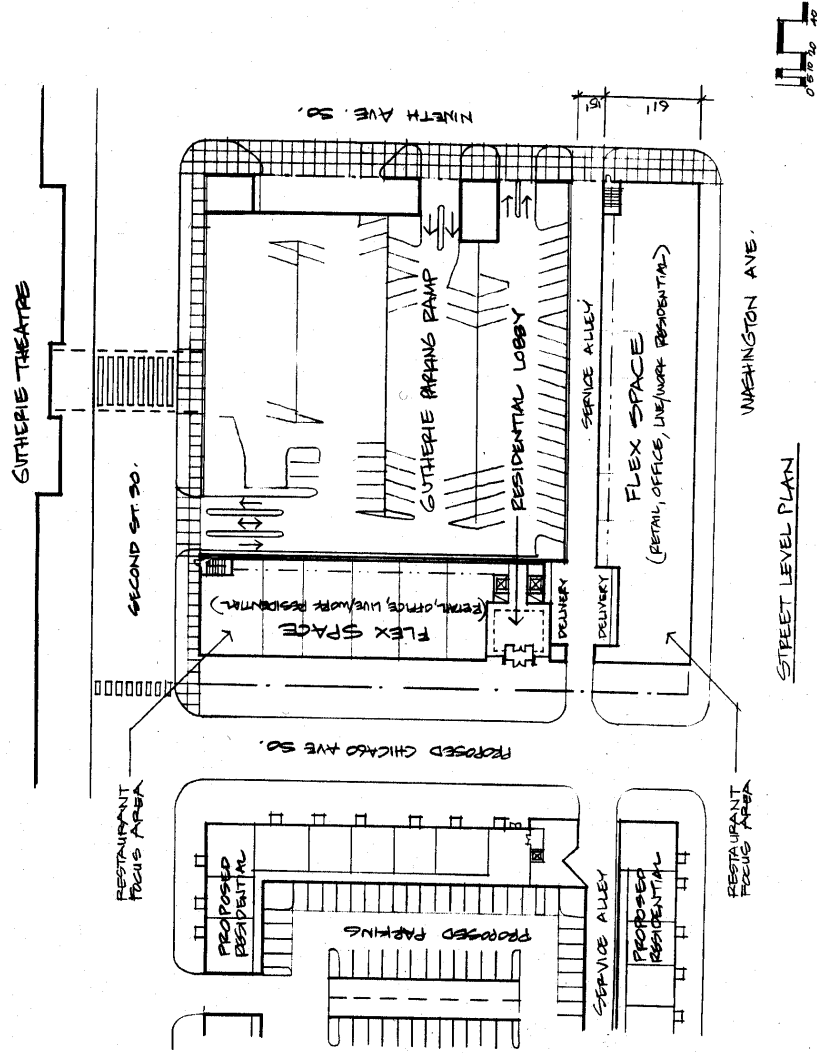
PROPOSED PARCEL E LINER DEVELOPMENT SITE PLAN



Parcel E Liner

8.28.03

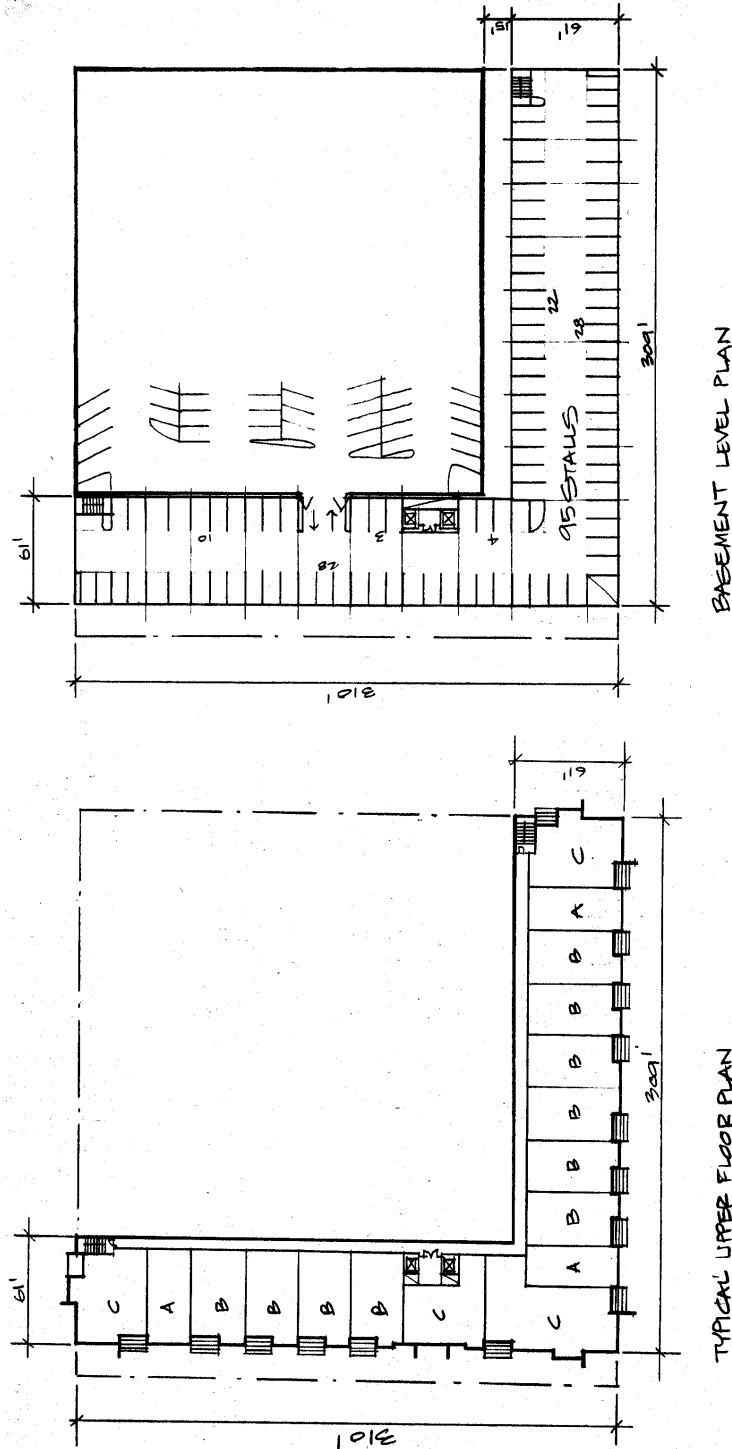
PROPOSED PARCEL E LINER DEVELOPMENT GROUND FLOOR PLAN



Parcel E Liner

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PROPOSED PARCEL E LINER DEVELOPMENT BELOW-GRADE AND TYPICAL ABOVE-GRADE FLOOR PLANS

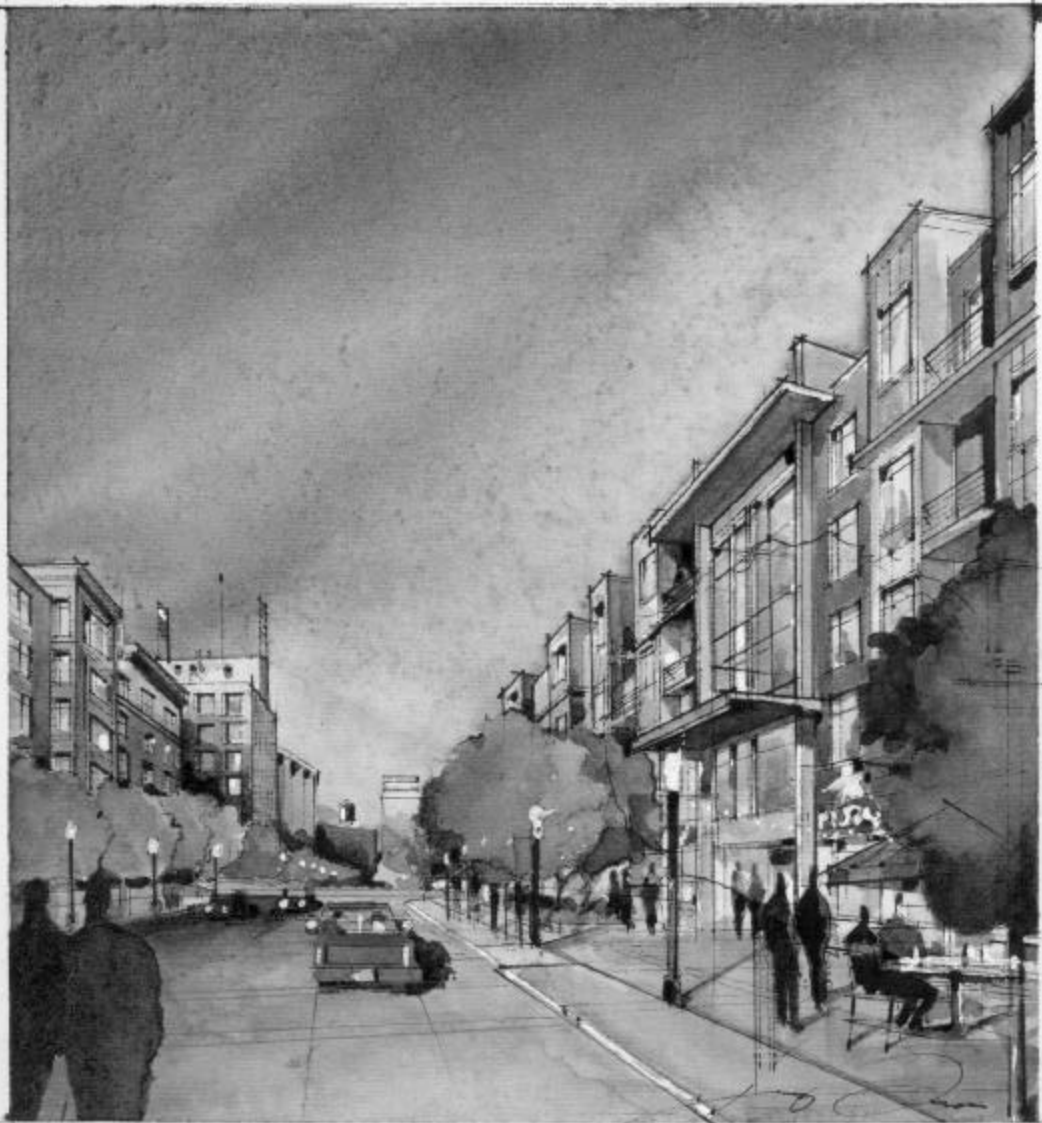


Parcel E Liner

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**PROPOSED PARCEL E LINER DEVELOPMENT
CHICAGO AVENUE RENDERING**

**PARCEL E
CITY OF MINNEAPOLIS**



August 29, 2003

E|S|G
Eliness Swenson Graham Architects

DB DAVID BERNARD
BUILDERS & DEVELOPERS

MCDA
Minneapolis Community Development Agency